

St. Helena Parish Hospital  
Service District No. 1 and Subsidiary  
A Component Unit of the  
St. Helena Parish Police Jury  
Greensburg, Louisiana  
October 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

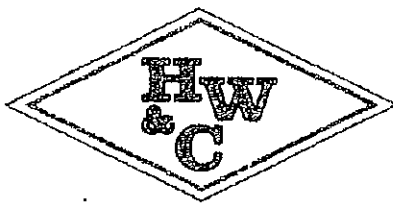
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April 1, 2010

**Independent Auditor's Report**

The Board of Commissioners  
St. Helena Parish Hospital Service District No. 1  
Greensburg, Louisiana

We have audited the accompanying consolidated financial statements of

**St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Greensburg, Louisiana**

a component unit of the St. Helena Parish Police Jury, Greensburg, Louisiana, as of and for the years ended October 31, 2009 and 2008, as listed in the table of contents. These consolidated financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the table of contents present fairly, in all material respects, the financial position of St. Helena Parish Hospital Service District No. 1 and Subsidiary, Greensburg, Louisiana as of October 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2010, on our consideration of St. Helena Parish Hospital Service District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Yours truly,

*Hawthorn, Weymouth & Carroll, L.L.P.*

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Management's Discussion and Analysis of the Basic Financial Statements**  
**October 31, 2009**

This portion of the Hospital Service District's annual financial reporting presents background information and management's review of the District's financial performance during the fiscal year ending October 31, 2009. This Section should be interpreted within the context of financial statements as displayed in this report.

**FINANCIAL HIGHLIGHTS**

- The financial statements reveal a net loss of \$79,985. If depreciation expense is not included, then a profit of \$136,028 would have occurred.
- In April 2009, the District hired a new CEO who immediately began to address the rising cost of payroll and the decline of the District's patient census. Several of the improvements that were effectuated in May 2009 are as follows.
  - a. The District's average monthly payroll cost was reduced by \$60,000 per month, and the cost of payroll for the fiscal year was reduced by \$303,000. The projected payroll savings for the next fiscal year are over \$500,000.
  - b. The District entered into a contract with a company that provides emergency room doctors to be present at the hospital 24/7. Even though the cost to provide this service will remain approximately the same as the previous contract, this group of doctors has increased the in-patient admissions/census for the District. This increased utilization will increase the District's revenue because of additional services provided to the patients.
  - c. The District retained a hospital consulting firm to address several operational issues of the District. After extensive analysis, the consulting group revealed that the District was not utilizing the "swing-bed" classification of patients properly. By properly admitting patients to the District that meet the criteria for a swing-bed patient, the District can earn a higher per diem reimbursement from Medicare. The swing-bed monthly census increased from an average of 19 patient days to 105 patient days. Accordingly, the District's cash flow position improved dramatically, which allowed for more timely payments to the District's vendors. As a result, the accounts payable aging balances were reduced by \$445,000.
- Because of the lack of patient utilization, the District closed its rural health clinic which was located in the southern portion of the parish. The savings from payroll cost and daily operations will save the District over \$150,000.
- During the summer of 2005, the voters of St. Helena Parish approved an additional 10 mill property tax to fund the needs of the nursing home. The nursing home tax and hospital tax combined to generate \$812,552 in revenue.
- The District recognized \$1,411,900 in revenues from the state's Uncompensated Care Costs (UCC) reimbursement program. This compares to \$1,499,000 in 2008.
- The District garnered two grants totaling over \$174,000 that were used to purchase two vans to transport patients for medical care, and to purchase a new generator system that has the capacity to power both the hospital and the nursing home.
- Every February, the District is required to retire its current year line of credit balance before it can reapply with the state bond commission for the renewal of a new borrowing limit. In February 2009, the District was not able to retire its current year line of credit balance of \$1,900,000. After a thorough analysis of the District's future cash flow potential, the District petitioned the state bond commission to convert the delinquent line of credit into a seven year long-term debt by dedicating future tax revenues for the years 2010 through 2017 to pay down on the principal and 6% interest.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Management's Discussion and Analysis of the Basic Financial Statements  
October 31, 2009**

**REQUIRED FINANCIAL STATEMENTS**

The basic financial statements of the Hospital Service District report information regarding the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures improvements in the District's operations over the past year, and can be used to determine whether the District has been able to recover all of its costs through its patient service and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash flows from operations and financial activities, as well as define the source(s) of cash, its use, and cash balance changes during the reporting period. Additional statistical information and notes are offered as support, explanation and information.

**FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT**

The Balance Sheets and Statements of Revenue, Expenses, and Changes in Net Assets report data about the District's activities. These two (2) statements report net assets of the District and changes in them. Increases or decreases in net assets are one indicator regarding the financial integrity of the District. Other non financial indicators include changes in State and local economic conditions, as well as regulatory changes regarding Medicare and Medicaid, especially as these may impact Critical Access Hospital status, and related cost based reimbursements.

**Net Assets**

A summary of the Hospital Service District and Subsidiary's balance sheets is displayed in the following table:

**Condensed Balance Sheets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$2,864,107	\$3,520,716	\$3,233,187
Assets Limited as to Use	95,100	96,463	103,395
Property, Plant and Equipment	<u>4,117,492</u>	<u>3,924,362</u>	<u>3,030,312</u>
<u>Total Assets</u>	<u>7,076,699</u>	<u>7,541,541</u>	<u>6,366,894</u>

(Continued)

**St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Management's Discussion and Analysis of the Basic Financial Statements  
October 31, 2009**

**Net Assets (Continued)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
(Continued)			
Current Liabilities	\$3,275,331	\$5,499,197	\$5,336,724
Long-Term Debt	<u>5,954,582</u>	<u>4,115,573</u>	<u>2,478,720</u>
<u>Total Liabilities</u>	<u>9,229,913</u>	<u>9,614,770</u>	<u>7,815,444</u>
 <u>Total Net Assets (Deficit)</u>	 <u>(2,153,214)</u>	 <u>(2,073,229)</u>	 <u>(1,448,550)</u>
 <u>Total Liabilities and Net Assets (Deficit)</u>	 <u>7,076,699</u>	 <u>7,541,541</u>	 <u>6,366,894</u>

The following table presents the components of the District's net assets at October 31, 2009, 2008, and 2007:

**Condensed Balance Sheets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Invested capital assets, net of related debt	\$1,325,579	\$1,056,637	\$922,132
Unrestricted (deficit)	<u>(3,478,793)</u>	<u>(3,129,866)</u>	<u>(2,370,682)</u>
 <u>Total net assets (deficit)</u>	 <u>(2,153,214)</u>	 <u>(2,073,229)</u>	 <u>(1,448,550)</u>

**Property, Plant and Equipment**

The following table presents the components of property, plant and equipment at October 31, 2009, 2008, and 2007:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land	\$384,105	\$384,105	\$384,105
Building	6,444,832	6,148,735	4,021,123
Equipment	2,184,058	2,048,653	1,436,908
Vehicles	110,422	28,422	20,822
Equipment under capital leases	<u>52,715</u>	<u>119,515</u>	<u>720,097</u>
	9,176,132	8,729,430	6,583,055
Less accumulated depreciation	<u>(5,201,571)</u>	<u>(4,952,136)</u>	<u>(4,759,683)</u>
 Total land and depreciable assets, net	 3,974,561	 3,777,294	 1,823,372
 Construction in progress	 <u>142,931</u>	 <u>147,068</u>	 <u>1,206,940</u>
 Property, plant and equipment, net	 <u>4,117,492</u>	 <u>3,924,362</u>	 <u>3,030,312</u>

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Management's Discussion and Analysis of the Basic Financial Statements**  
**October 31, 2009**

**Summary of Revenue, Expenses, and Changes in Net Assets**

The following table presents a summary of the Hospital Service District and Subsidiary's revenues and expenses for the latest three (3) fiscal years:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Patient Service Revenue	\$11,458,174	\$11,155,754	\$10,753,431
Other Revenue	1,157,281	1,110,077	1,309,515
Apartment Revenue	<u>190,431</u>	<u>235,801</u>	<u>318,159</u>
Total Revenue	<u>12,805,886</u>	<u>12,501,632</u>	<u>12,381,105</u>
Salary Expense	5,687,697	5,997,126	5,638,524
Other Operating Expense	5,703,732	5,654,077	5,698,234
Provision for Bad Debts	1,065,410	1,038,822	1,143,892
Depreciation and Amortization	216,013	149,260	181,914
Apartment expense	<u>213,019</u>	<u>287,026</u>	<u>311,072</u>
Total Expenses	<u>12,885,871</u>	<u>13,126,311</u>	<u>12,973,636</u>
<i>Excess of Revenue Over (Under) Expenses</i>	(79,985)	(624,679)	(592,531)
Net Assets (Deficit) at Beginning of Fiscal Year	<u>(2,073,229)</u>	<u>(1,448,550)</u>	<u>(856,019)</u>
Net Assets (Deficit) at Conclusion of Fiscal Year	<u>(2,153,214)</u>	<u>(2,073,229)</u>	<u>(1,448,550)</u>

**SOURCES OF REVENUE**

The Hospital Service District derives the majority of its of total revenue from patient service operations. St. Helena Parish Hospital is Louisiana's first Critical Access Hospital and, as such, has been reimbursed for Medicare services on a cost basis since 2000. Effective with the Medicare Cost Report filing regarding fiscal year 2005, the Hospital Service District receives 101% of Hospital-based Medicare costs.

The following table displays payor mix percentages as a function of total billed charges during 2009, 2008, and 2007:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Medicare	52%	52%	50%
Medicaid	16%	13%	16%
Commercial	20%	20%	19%
Self-Pay	12%	15%	15%



**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Management's Discussion and Analysis of the Basic Financial Statements**  
**October 31, 2009**

**SOURCES OF REVENUE (Continued)**

The Hospital Service District derives additional revenues from meals sold in the Hospital Cafeteria, Ad Valorem Taxes, Grants, and Donations. During 2004 the Hospital Service District created the St. Helena Medical Foundation, Inc, which was approved by the Internal Revenue Service as a legal entity to which charitable donations to the District are made on a tax deductible basis.

**OPERATING AND FINANCIAL PERFORMANCE**

The District's primary source of revenue is patient service related, and particularly with a rural hospital, is driven by admissions. The practical end of patient revenue involves converting admissions and treatment into cash collections. The industry standard regarding management of receivables is the measure of outstanding days in accounts receivable. This next table displays both discharge (billable) days, along with days in accounts receivable from 2009, 2008, and 2007.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Inpatient Discharge Days	1,854	1,084	1,063
Outstanding Days in A/R	58	75	100

A seventy-four percent (74%) increase in hospital billable days has occurred from F.Y.E 2007 to 2009. The District's statistical measure of days in accounts receivable is 58 days which is below the industry expectation of 65 days outstanding. The District does make aggressive attempts to procure payment from the self-pay patients, but these receivables must stay on the books for a statutory amount of time so as to properly make a claim for uncompensated care reimbursement.

**BUDGET AND STRATEGY FOR FISCAL YEAR 2010**

The 2010 budget was approved by the Board of Commissioners during its regular meeting of October 2009. Highlights and expectations regarding 2010 are as follows:

- Concerning revenue and patient utilization, the hospital is expecting to continue increasing its "swing-bed" utilization. The budget has an average of 116 days per month at \$1,800 per diem reimbursement. This is expected to provide an additional \$800,000 in revenue as compared to prior years when the hospital averaged only 19 swing-bed days per month. The other departments of the hospital are budgeted for modest utilization increases. Because of more ER admits, the hospital is budgeted to increase inpatient revenue by \$70,000. Because of the large amount of self-pay bad debt, the Uncompensated Care reimbursement from the State of Louisiana is expected to be \$1,217,000, and property taxes are budgeted for \$840,000.
- Concerning expenses, the hospital is continuing to benefit from lowering the number of employees on payroll. By a combination of attrition, shifting schedules, monitoring overtime and reducing positions, the hospital is budgeted to save over \$500,000 in payroll costs even though the hospital should increase its in-patient census. Other areas of cost containment should be legal. The hospital is budgeted to save \$100,000 as compared to 2009 because the hospital's consulting firm and legal team are not contracted to perform any major projects. There will be an increase in interest cost because the hospital is now paying its monthly note of \$8,113 for the remodeling of the hospital and will pay \$174,000 interest on the \$2,080,000 line of credit conversion note.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Management's Discussion and Analysis of the Basic Financial Statements  
October 31, 2009**

**BUDGET AND STRATEGY FOR FISCAL YEAR 2010 (Continued)**

- The District is presently receiving bids for a new 16 slice CT Scan. The approximate cost will be \$400,000, and the District has the cash to pay for the machine upon installation.
- The District has been approved by the Louisiana State Bond Commission to have an open line of credit of \$950,000.
- The District did garner a \$1,000,000 grant for roof renovations, storm shutters and lighting renovations. Work is expected to be completed by the summer of 2010.
- The District submitted information to the Center for Medicare Services, the Department of Justice and to Senator Mary Landrieu seeking relief via a compromise settlement or a statutory remedy of the \$924,024 liability to Medicare and Medicaid. Medicare does not agree with the Hospital's position concerning a compromise settlement and Senator Mary Landrieu has not been successful in the legislative efforts. The District continues to pay a monthly amount of \$13,434 to Medicare for this questionable debt.

**CONTACTING THE HOSPITAL SERVICE DISTRICT'S CHIEF FINANCIAL OFFICER**

This financial report is intended to provide our community, patients, and creditors with a general overview of the Hospital Service District's financial position, and demonstrate accountability regarding all revenues received. If further information is required, requests should be submitted in writing to:

Chief Financial Officer  
St. Helena Parish Hospital & Nursing Home  
16874 Highway 43  
Greensburg, LA 70441

St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Consolidated Balance Sheets  
October 31, 2009 and 2008

A s s e t s		
	<u>2009</u>	<u>2008</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$475,739	\$1,074,867
Patient accounts receivable (net of estimated uncollectibles of \$958,197 for 2009 and \$1,089,593 for 2008)	1,320,919	1,339,391
Accounts receivable - other	683,189	672,094
Supplies inventory	302,605	356,247
Prepaid expenses	81,655	78,117
<u>Total current assets</u>	<u>2,864,107</u>	<u>3,520,716</u>
<b>Assets Limited As to Use</b>		
Under Indenture Agreement	95,100	96,463
<u>Noncurrent assets limited as to use</u>	<u>95,100</u>	<u>96,463</u>
<b>Property, Plant and Equipment, Net</b>	<u>4,117,492</u>	<u>3,924,362</u>
<u>Total assets</u>	<u>7,076,699</u>	<u>7,541,541</u>
<b>Liabilities and Net Assets (Deficit)</b>		
<b>Current Liabilities</b>		
Current maturities of note and other long-term payables	146,557	130,347
Current maturities of bonds payable	77,464	73,522
Certificate of Indebtedness	400,000	1,900,000
Current portion of obligations under capital leases	11,155	23,327
Accounts payable	660,947	1,257,240
Estimated third-party payor settlements	1,300,529	396,602
Accrued liabilities	678,679	730,152
Deferred revenue - uncompensated care		988,007
<u>Total current liabilities</u>	<u>3,275,331</u>	<u>5,499,197</u>
<b>Long-Term Debt</b>		
Note and other long-term payables, less current maturities	2,883,619	955,686
Bonds payable, less current maturities	3,053,286	3,131,134
Obligations under capital leases, less current portion	17,677	28,753
	<u>5,954,582</u>	<u>4,115,573</u>
<u>Total liabilities</u>	<u>9,229,913</u>	<u>9,614,770</u>
<b>Net Assets (Deficit)</b>		
Invested in capital assets, net of related debt	1,325,579	1,056,637
Unrestricted (deficit)	<u>(3,478,793)</u>	<u>(3,129,866)</u>
<u>Total net assets (deficit)</u>	<u>(2,153,214)</u>	<u>(2,073,229)</u>
<u>Total liabilities and net assets (deficit)</u>	<u>7,076,699</u>	<u>7,541,541</u>

The accompanying notes are an integral part of these statements.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Consolidated Statements of Revenues, Expenses, and Changes in Net Assets (Deficit)**  
**Years Ended October 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Revenue</b>		
Net patient service revenue	\$11,458,174	\$11,155,754
Other operating revenue	1,149,417	1,099,540
Apartment revenue	<u>190,431</u>	<u>235,801</u>
Total revenue	<u>12,798,022</u>	<u>12,491,095</u>
<b>Expenses</b>		
Salaries	5,687,697	5,997,126
Outside services	1,496,901	1,589,690
Supplies and other	1,351,756	1,266,825
General and administrative	2,561,689	2,609,103
Provision for bad debts	1,065,410	1,038,822
Depreciation and amortization	216,013	149,260
Apartment expense	<u>213,019</u>	<u>287,026</u>
Total expenses	<u>12,592,485</u>	<u>12,937,852</u>
Operating income (loss)	<u>205,537</u>	<u>(446,757)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	7,864	10,537
Interest expense	<u>(293,386)</u>	<u>(188,459)</u>
	<u>(285,522)</u>	<u>(177,922)</u>
<b>Excess of Revenue Over (Under) Expenses</b>	(79,985)	(624,679)
<b>Net Assets (Deficit), at beginning of year</b>	<u>(2,073,229)</u>	<u>(1,448,550)</u>
<b>Net Assets (Deficit), at end of year</b>	<u>(2,153,214)</u>	<u>(2,073,229)</u>

The accompanying notes are an integral part of these statements.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended October 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from patients and third-party payors	\$13,709,326	\$12,950,227
Payments to employees and for employee-related costs	(5,721,701)	(7,185,481)
Payments for other operating expenses	<u>(8,214,088)</u>	<u>(5,416,434)</u>
<u>Net cash provided (used) by operating activities</u>	<u>(226,463)</u>	<u>348,312</u>
<b>Cash Flows From Non-Capital Financing</b>		
Proceeds from Certificate of Indebtedness	400,000	1,900,000
Payments on Certificates of Indebtedness		(1,000,000)
Interest paid on debt	<u>(165,625)</u>	<u>(30,019)</u>
<u>Net cash provided by non-capital financing activities</u>	<u>234,375</u>	<u>869,981</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from notes payable	180,000	874,521
Principal payments on notes payable	(135,857)	(122,464)
Principal payments on bonds payable	(73,906)	(54,107)
Principal payments on capital leases	(23,248)	(80,646)
Interest paid on debt	<u>(154,113)</u>	<u>(134,778)</u>
<u>Net cash provided by (used in) capital and related financing activities</u>	<u>(207,124)</u>	<u>482,526</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(409,143)	(1,043,310)
Change in assets limited as to use	1,363	6,932
Interest income	<u>7,864</u>	<u>10,537</u>
<u>Net cash used in investing activities</u>	<u>(399,916)</u>	<u>(1,025,841)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(599,128)	674,978
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,074,867</u>	<u>399,889</u>
<b>Cash and Cash Equivalents, end of year</b>	<u><u>475,739</u></u>	<u><u>1,074,867</u></u>
<b>Non-Cash Transactions</b>		
Conversion of notes payable to bonds payable	<u>-</u>	<u>1,900,000</u>
Conversion of certificates of indebtedness to notes payable	<u><u>1,900,000</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Consolidated Statements of Cash Flows  
Years Ended October 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$205,537	(\$446,757)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	216,013	149,260
Provision for bad debts	1,065,410	1,038,822
Changes in operating assets and liabilities		
(Increase) Decrease in accounts receivable	(1,058,033)	(579,690)
(Increase) Decrease in supplies inventory	53,642	(84,383)
(Increase) Decrease in prepaid expenses	(3,538)	12,700
Increase (Decrease) in accounts payable	(596,293)	147,781
Increase (Decrease) in estimated third-party payor settlements	903,927	
Increase (Decrease) in accrued liabilities	(25,121)	127,857
Increase (Decrease) in deferred revenue	<u>(988,007)</u>	<u>(17,278)</u>
Net cash provided (used) by operating activities	<u>(226,463)</u>	<u>348,312</u>
 <b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>309,738</u>	<u>164,797</u>

The accompanying notes are an integral part of these statements.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 1-Summary of Significant Accounting Policies**

**A. Legal Organization**

On December 29, 1962, the St. Helena Parish Police Jury passed a resolution creating the St. Helena Parish Hospital Service District No. 1 and Subsidiary (hereinafter sometimes called the "District") under the authority of Article 6, Section 19, of the 1974 Louisiana Constitution and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The District is composed of all the territory situated within the Parish of St. Helena, Louisiana.

The governing authority of the District consists of a board of six (6) commissioners, all of whom are qualified electors of the Parish of St. Helena, Louisiana. The Commissioners serve without pay, per diem, or reimbursement of expense, except actual cash out-of-pocket expenses incurred in the performance of their duties.

**B. Nature of Business**

The public purpose of the District is to secure, provide for, and protect the public health and welfare by the treatment of human ailments through the acquisition and construction of projects as authorized by Chapter 10 of Title 46 of the 1974 Louisiana Constitution, and the financing and refinancing of indebtedness to acquire, construct, renovate, improve hospitals, clinics, laboratories and any other facility, building or structure which may be of use and benefit in the teaching, training or practice of medical science and treatment of human ailments, or for such other facilities as the District will find useful in the study of, or research in, or treatment of illness or infirmities, all as is more fully set out in said Chapter 10 of Title 46 of the 1974 Louisiana Constitution. The District also operates a 72 bed nursing home and a 24 unit apartment complex for the elderly and handicapped.

During 2004, the District created the St. Helena Medical Foundation, Inc. as a legal entity to which charitable donations to the District are made on a tax deductible basis.

**C. Principles of Consolidation**

The financial statements are consolidated as of and for the years ended October 31, 2009 and 2008. These consolidated financial statements include the St. Helena Parish Hospital Service District No. 1 and its Subsidiary, the St. Helena Medical Foundation, Inc. All intercompany accounts and transactions have been eliminated in consolidation. Operations in these consolidated financial statements are predominantly from St. Helena Parish Hospital Service District No. 1.

**D. Basis of Presentation**

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 1-Summary of Significant Accounting Policies (Continued)**

**D. Basis of Presentation (Continued)**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Use Proprietary Fund Accounting, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**E. Reporting Entity**

As the governing authority of the parish, for reporting purposes, the St. Helena Parish Police Jury is the financial reporting entity for St. Helena Parish. The financial reporting entity consists of (a) the primary government (Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Helena Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependant on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints all members to the District's Board of Commissioners, the District was determined to be a component unit of the St. Helena Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only of the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.



**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 1-Summary of Significant Accounting Policies (Continued)**

**F. Measurement Focus, Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**H. Cash and Cash Equivalents**

For purposes of the Consolidated Statements of Cash Flows, the District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

**I. Patient Accounts Receivable**

Accounts receivable from patients, insurance companies and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements which generally result in the District collecting more or less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities.

The District provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. Management estimates the losses based on historical collection experience coupled with a review of the current status of existing receivables.

**J. Charity Care**

The District provides care, without charge or at amounts less than its established rates, to patients who meet certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Notes to Consolidated Financial Statements  
October 31, 2009

**Note 1-Summary of Significant Accounting Policies (Continued)**

**K. Assets Whose Use Is Limited**

Assets limited as to use under terms of the bond indentures are classified as assets whose use is limited.

**L. Inventories of Supplies**

Supplies are valued at the lower of cost or net realizable value (first-in, first-out).

**M. Property, Plant and Equipment**

Property, plant and equipment is stated at cost, except for assets donated to the District. Donated assets are recorded at the appraised value at the date of donation.

Equipment under capital leases is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Maintenance, repairs, replacements and improvements of minor amounts are expensed. Major replacements and improvements are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	10 - 40 years
Equipment	5 - 15 years

**N. Costs of Borrowing**

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest of \$33,299 was capitalized during the year ended October 31, 2008.

**O. Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 1-Summary of Significant Accounting Policies (Continued)**

**P. Advertising**

Advertising costs are expensed as incurred. Advertising costs of \$5,209 and \$3,688 were expensed in 2009 and 2008, respectively.

**Q. Paid Time Off**

Paid time off (PTO) includes vacation and holiday pay. Accumulated unpaid PTO is accrued when incurred up to a maximum of 28 days. Unused PTO hours accumulate and carry over from year to year. Employees may accrue a maximum of 272 hours of PTO, including holidays. Employees earn and vest in PTO leave according to years of service as follows:

<u>Years of Service</u>	<u>Full-Time Employees</u>
90 days - 2 years	1.08 days per month
3 - 5 years	1.50 days per month
6 - 15 years	1.92 days per month
Over 16 years	2.33 days per month

Sick pay is not vested.

**R. Income Taxes**

The District is exempt from income taxes under Internal Revenue Code Section 115.

**S. Property Taxes**

The Sheriff of St. Helena Parish, as provided by state law, is the official tax collector of property taxes levied by the parish and parish special districts.

The 2009 property tax calendar follows:

Millage rates adopted	September 26, 2008
Tax bills mailed	November 3, 2008
Due date	December 31, 2008
Certified delinquent notice	March 12, 2009

Property taxes are recognized as revenue in the calendar year for which they are due. State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. After notice is given to the delinquent taxpayers, the sheriff is required by the constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 1-Summary of Significant Accounting Policies (Continued)**

**T. Risk Management**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits.

The District is a member of a separate trust fund established by the Louisiana Hospital Association that encompasses self insurance of statutory workers' compensation. The District continues to carry commercial insurance for portions of all other risks of loss. The management of the trust fund for statutory workers' compensation has complete control over the rate setting process.

The District is self-insured for employee medical benefits. The District has purchased commercial insurance for claims in excess of stop loss limits. The uninsured annual risk retention per covered employee is \$40,000 with an aggregate stop loss for the plan year of \$1,000,000. Amounts payable to the plan are based on estimates of the amounts necessary to pay prior and current-year claims. A liability for claims is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount is reasonably estimable. The amount of that liability at October 31, 2009 and 2008 is \$39,914 and \$162,554, respectively.

The District has medical malpractice insurance up to \$100,000 through the Louisiana Hospital Association Trust Fund and an additional \$400,000 through the Patients Compensation Fund. Under current Louisiana Law, its liability is limited to the statutory maximum of \$500,000.

**U. Reclassifications**

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's financial statement presentation. The reclassifications had no effect on net assets or the change in net assets.

**Note 2-Cash and Cash Equivalents**

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The District had cash and cash equivalents and cash under indenture agreements (book balances) totaling \$570,839 and \$1,171,330 at October 31, 2009 and 2008, respectively.

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance and/or the pledge of securities owned by the fiscal agent bank. The pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually agreeable to both parties.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 2-Cash and Cash Equivalents (Continued)**

At October 31, 2009 the District had \$822,000 in deposits (collected bank balances). These deposits were fully secured from risk by federal deposit insurance and pledged securities.

At October 31, 2008 the District had \$1,612,000 in deposits (collected bank balances). These deposits were fully secured from risk by federal deposit insurance.

**Note 3-Net Patient Service Revenue**

The District has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare

Effective December 1, 1999, the District was certified as a Critical Access Hospital which changed the reimbursement methodology as follows. Inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 2007.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Inpatient costs are reimbursed at the prospectively determined peer group per diem, and outpatient costs are reimbursed at cost per the cost report, less 17%. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through October 31, 2004.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

**Note 4-Assets Whose Use Is Limited**

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at October 31, 2009 and 2008, is set forth in the following table.

	<u>2009</u>	<u>2008</u>
Under indenture agreement		
Cash	<u>\$95,100</u>	<u>\$96,463</u>

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 5-Property and Equipment**

A summary of property and equipment additions, retirements, and balances at October 31, 2009 is as follows:

	Balance October 31, <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance October 31, <u>2009</u>
<b>Non-depreciable Capital Assets</b>				
Land				
Hospital	\$348,105			\$348,105
Morgan Hills	<u>36,000</u>			<u>36,000</u>
<u>Total non-depreciable assets</u>	<u>384,105</u>			<u>384,105</u>
<b>Depreciable Assets</b>				
Buildings				
Hospital	4,283,288	\$287,165		4,570,453
Morgan Hills	767,077	8,932		776,009
Nursing Home	1,098,370			1,098,370
Equipment	2,048,653	135,405		2,184,058
Vehicles	28,422	82,000		110,422
Equipment under capital leases	<u>119,515</u>		(\$66,800)	<u>52,715</u>
<u>Total depreciable assets</u>	<u>8,345,325</u>	<u>513,502</u>	<u>(66,800)</u>	<u>8,792,027</u>
<b>Less Accumulated Depreciation</b>				
Buildings				
Hospital	(1,641,246)	(105,983)		(1,747,229)
Morgan Hills	(332,550)	(19,564)		(352,114)
Nursing Home	(1,098,153)	(217)		(1,098,370)
Equipment	(1,786,293)	(154,251)		(1,940,544)
Vehicles	(16,237)	(17,884)		(34,121)
Equipment under capital leases	<u>(77,657)</u>	<u>(18,336)</u>	66,800	<u>(29,193)</u>
<u>Total accumulated depreciation</u>	<u>(4,952,136)</u>	<u>(316,235)</u>	<u>66,800</u>	<u>(5,201,571)</u>
<u>Total depreciable assets, net</u>	<u>3,393,189</u>	<u>197,267</u>		<u>3,590,456</u>
<b>Construction in Progress</b>	<u>147,068</u>	<u>294,176</u>	<u>(298,313)</u>	<u>142,931</u>
<u>Total capital assets, net</u>	<u>3,924,362</u>	<u>491,443</u>	<u>(298,313)</u>	<u>4,117,492</u>

St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Notes to Consolidated Financial Statements  
October 31, 2009

**Note 5-Property and Equipment (Continued)**

A summary of property and equipment additions, retirements, and balances at October 31, 2008 is as follows.

	Balance October 31, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance October 31, <u>2008</u>
<b>Non-depreciable Capital Assets</b>				
Land				
Hospital	\$348,105			\$348,105
Morgan Hills	<u>36,000</u>			<u>36,000</u>
Total non-depreciable assets	<u>384,105</u>			<u>384,105</u>
<b>Depreciable Assets</b>				
Buildings				
Hospital	2,155,676	\$2,127,612		4,283,288
Morgan Hills	767,077			767,077
Nursing Home	1,098,370			1,098,370
Equipment	1,436,908	611,745		2,048,653
Vehicles	20,822	7,600		28,422
Equipment under capital leases	<u>720,097</u>		(\$600,582)	<u>119,515</u>
Total depreciable assets	<u>6,198,950</u>	<u>2,746,957</u>	<u>(600,582)</u>	<u>8,345,325</u>
<b>Less Accumulated Depreciation</b>				
Buildings				
Hospital	(1,581,634)	(59,612)		(1,641,246)
Morgan Hills	(312,986)	(19,564)		(332,550)
Nursing Home	(1,098,054)	(99)		(1,098,153)
Equipment	(1,140,817)	(645,476)		(1,786,293)
Vehicles	(11,439)	(4,798)		(16,237)
Equipment under capital leases	<u>(614,753)</u>	<u>(15,986)</u>	553,082	<u>(77,657)</u>
Total accumulated depreciation	<u>(4,759,683)</u>	<u>(745,535)</u>	553,082	<u>(4,952,136)</u>
Total depreciable assets, net	<u>1,439,267</u>	<u>2,001,422</u>	<u>(47,500)</u>	<u>3,393,189</u>
<b>Construction in Progress</b>	<u>1,206,940</u>	<u>147,068</u>	<u>(1,206,940)</u>	<u>147,068</u>
Total capital assets, net	<u>3,030,312</u>	<u>2,148,490</u>	<u>(1,254,440)</u>	<u>3,924,362</u>

Depreciation expense for the years ended October 31, 2009 and 2008 was \$257,352 and \$192,453, of which \$41,339 and \$43,193 were charged to apartment expenses, respectively.

St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Notes to Consolidated Financial Statements  
October 31, 2009

**Note 6-Certificate of Indebtedness**

The District had \$2,100,000 in Certificates of Indebtedness at October 31, 2009 and 2008, with the Bank of Greensburg, of which \$400,000 and \$1,900,000 had been drawn as of October 31, 2009 and 2008, respectively, with an interest rate of 6%, secured by a pledge of all revenues accruing to the District.

**Note 7-Note and Other Long-Term Payables**

A schedule of changes in the District's long-term debt at October 31, 2009 is as follows:

	Balance October 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2009</u>	Amount due within <u>one year</u>
Notes Payable					
Farmers Home Administration	\$741,551		(\$4,093)	\$737,458	\$4,466
Bank of Greensburg		\$2,080,000		2,080,000	
Payable to Medicare	<u>344,482</u>		<u>(131,764)</u>	<u>212,718</u>	<u>142,091</u>
<u>Total notes payable</u>	<u>1,086,033</u>	<u>2,080,000</u>	<u>(135,857)</u>	<u>3,030,176</u>	<u>146,557</u>

A schedule of changes in the District's long-term debt at October 31, 2008 is as follows:

	Balance October 31, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2008</u>	Amount due within <u>one year</u>
Notes Payable					
Farmers Home Administration	\$745,302		(\$3,751)	\$741,551	\$4,093
Louisiana Public Facilities Authority	380,000		(380,000)		
Bank of Greensburg	645,479	\$874,521	(1,520,000)		
Payable to Medicare	<u>463,195</u>		<u>(118,713)</u>	<u>344,482</u>	<u>126,254</u>
<u>Total notes payable</u>	<u>2,233,976</u>	<u>874,521</u>	<u>(2,022,464)</u>	<u>1,086,033</u>	<u>130,347</u>

Note payable - Farmers Home Administration

Note payable to Farmers Home Administration with interest ranging from 1% to 8.75% for 50 years with a monthly payment of \$1,646. Note is secured by the Morgan Hills Apartments.

Note payable - Bank of Greensburg

In the previous year, the District had a \$1,900,000 line of credit with the Bank of Greensburg. In the current year, the agreement was converted to a note payable at 6.0% interest for seven (7) years with a principal balance of \$2,080,000, secured by a pledge of all revenues accruing to the District. The first payment of principal will be in March 2011.



**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 7-Note and Other Long-Term Payables (Continued)**

Payable to Medicare

Payable to Medicare at 11.875% interest, payable in monthly installments of approximately \$13,300 for 60 months.

Maturities of long-term debt for the next five years ending October 31, are as follows:

2010	\$146,557
2011	515,500
2012	475,316
2013	500,885
2014	381,472

**Note 8-Bonds Payable**

The schedule of bonds payable at October 31, 2009 consists of the following:

	Balance October 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2009</u>	Amount due within <u>one year</u>
<b>Bonds Payable</b>					
Hospital Revenue Bonds					
25 Year	\$1,130,562		(\$25,436)	\$1,105,126	\$26,678
20 Year	177,235		(29,003)	148,232	30,527
40 Year	<u>1,896,859</u>		<u>(19,467)</u>	<u>1,877,392</u>	<u>20,259</u>
<u>Total bonds payable</u>	<u>3,204,656</u>		<u>(73,906)</u>	<u>3,130,750</u>	<u>77,464</u>

The schedule of bonds payable at October 31, 2008 consists of the following:

	Balance October 31, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2008</u>	Amount due within <u>one year</u>
<b>Bonds Payable</b>					
Hospital Revenue Bonds					
25 Year	\$1,154,090		(\$23,528)	\$1,130,562	\$25,077
20 Year	204,673		(27,438)	177,235	29,005
40 Year	<u>          </u>	<u>\$1,900,000</u>	<u>(3,141)</u>	<u>1,896,859</u>	<u>19,440</u>
<u>Total bonds payable</u>	<u>1,358,763</u>	<u>1,900,000</u>	<u>(54,107)</u>	<u>3,204,656</u>	<u>73,522</u>

Hospital Revenue Bonds - 25 Year

Hospital Revenue Bonds of \$1,200,000 requiring monthly installments of \$7,916 (principal and interest) for 25 years at an annualized rate of 6.125%. Bonds are secured by a pledge of net revenues from the operation of the District.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 8-Bonds Payable (Continued)**

Hospital Revenue Bonds - 20 Year

Hospital Revenue Bonds of \$467,000 requiring monthly installments of \$3,115 (principal and interest) for 20 years at an annualized rate of 5.125%. Bonds are secured by the land and building of the hospital and by a pledge of all operating revenue.

Hospital Revenue Bonds - 40 Year

Hospital Revenue Bonds of \$1,900,000 requiring monthly installments of \$8,113 (principal and interest) for 40 years at an annualized rate of 4.1125%. Bonds are secured by a pledge of net revenues from the operations of the District.

As required by the bond agreement, the District was required to establish three separate accounts: Sinking Fund, Reserve Fund and Contingency Fund. The Sinking Fund is required to have an amount sufficient to pay promptly and fully the principal and interest on the bonds. The Reserve Fund must have an amount paid to it equal to 10% of the amount paid to the Sinking Fund each month. The amount shall continue until the Reserve Fund has accumulated a sum equal to the combined principal and interest falling due in any year on the bonds. The Contingency Fund shall have deposited \$170 per month to cover depreciation, additions, improvements and replacements necessary to properly operate the District. These amounts have been classified as assets whose use is limited.

Bond maturities for each of the next five years ending October 31, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$77,464	\$152,256	\$229,720
2011	81,633	148,087	229,720
2012	86,001	143,719	229,720
2013	90,680	139,040	229,720
2014	74,331	134,450	208,781

**Note 9-Deferred Revenue**

The District receives uncompensated cost for services rendered to Medicaid and uninsured patients, commonly referred to as disproportionate share payments. The payment is subject to audit by the Louisiana Department of Health and Hospitals. The payment is recognized in revenue over the states fiscal year from July 1 to June 30.

St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Notes to Consolidated Financial Statements  
October 31, 2009

**Note 10-Capital Leases - Equipment**

A schedule of changes in the District's capital lease obligations at October 31, 2009 is as follows:

	Balance October 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2009</u>	Amount due within <u>one year</u>
Capital Leases					
ECI	\$13,406		(\$13,406)	-	-
GE Mobile Radiology	27,648		(7,553)	\$20,095	\$8,364
Therapy Equipment	<u>11,026</u>		<u>(2,289)</u>	<u>8,737</u>	<u>2,791</u>
<u>Total capital leases payable</u>	<u>52,080</u>		<u>(23,248)</u>	<u>28,832</u>	<u>11,155</u>

A schedule of changes in the District's capital lease obligations at October 31, 2008 is as follows:

	Balance October 31, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2008</u>	Amount due within <u>one year</u>
Capital Leases					
ECI	\$35,666		(\$22,260)	\$13,406	\$13,406
Digital Radiology	49,635		(49,635)		
GE Mobile Radiology	34,468		(6,820)	27,648	7,553
Therapy Equipment	<u>12,957</u>		<u>(1,931)</u>	<u>11,026</u>	<u>2,368</u>
<u>Total capital leases payable</u>	<u>132,726</u>		<u>(80,646)</u>	<u>52,080</u>	<u>23,327</u>

The District leases various equipment, with a net book value of \$28,522 in 2009 and \$41,858 in 2008, under various leases which expire through 2012. Assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset and the assets are depreciated over their estimated useful lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under the capital lease are as follows:

2010	\$14,046
2011	14,046
2012	<u>4,679</u>
Total minimum lease payments	32,771
Less amount representing interest	<u>3,939</u>
	28,832
Less current portion of obligations under capital leases	<u>11,155</u>
Obligations under capital leases, less current portion	<u>17,677</u>

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**October 31, 2009**

**Note 11-Operating Leases**

The District leases various medical equipment under operating leases which began in 2000 and expire in 2009. Rent expense on these operating leases was \$191,380 in 2009 and \$279,486 in 2008.

Minimum future rental payments under non-cancelable operating leases are as follows:

2010	\$29,832
------	----------

**Note 12-Pension Plan**

The District has a 403(b) defined contribution plan. Contributions are matched based on years of service of full-time employees not to exceed 3% of salary. Contributions to the plan totaled \$112,454 in 2009 and \$152,964 in 2008.

**Note 13-Commitments and Contingencies**

Commitments for the purchase of property, plant and equipment at October 31, 2009 totaled \$164,155.

The District is a defendant in a lawsuit as a result of an arbitration award against St. Helena Congregate Facility, Inc. A judgment was rendered against the District on May 16, 2002 in the amount of \$38,710, together with legal interest from March 11, 1996 until paid. The District will vigorously defend its position.

The District is also a litigate in various other lawsuits. Management of the District, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the District.

**Note 14-Concentration of Credit Risk**

The District is located in Greensburg, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Revenue from patients and third-party payors was as follows.

	<u>2009</u>	<u>2008</u>
Medicare and Medicaid	68%	65%
Commercial and Blue Cross	20%	20%
Private pay	<u>12%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>

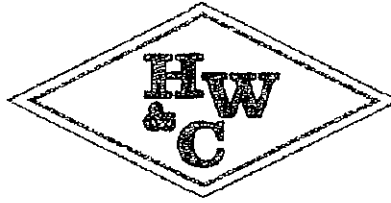
**Note 15-Subsequent Events**

The District evaluated all subsequent events through April 1, 2010, the date the financial statements were available to be issued.

### **Supplementary Information**

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J CHARLES PARKER, C.P.A.  
LOUIS C. MCKNIGHT, III, C.P.A.  
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CERTIFIED PUBLIC ACCOUNTANTS

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April 1, 2010

**Independent Auditor's Report  
on Supplementary Information**

The Board of Commissioners  
St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Greensburg, Louisiana

Our report on our audits of the basic consolidated financial statements of St. Helena Parish Hospital Service District No. 1 and Subsidiary, a component unit of St. Helena Parish Police Jury, for the years ended October 31, 2009 and 2008 appears on page 3. Those audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements for the years ended October 31, 2009 and 2008, taken as a whole.

Yours truly,

*Hawthorn, Waymouth & Carroll, L.L.P.*

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Consolidated Revenue**  
**Years Ended October 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Patient Service Revenue</b>		
Patient rooms - Hospital	\$305,199	\$180,184
Patient rooms - Nursing Home	2,010,989	2,176,651
Observation rooms	63,665	72,960
Operating and emergency room	895,350	759,009
Medical and surgical supplies	278,313	199,139
Pharmacy	956,154	680,386
X-ray	443,386	490,779
Ultrasound	5,328	12,501
S.H.P. scan	1,040,571	1,077,749
Laboratory	1,732,186	1,763,318
Therapy	598,179	528,319
Doctor fees	523,233	401,832
Cardiology	109,026	112,956
Swing bed	226,400	72,800
SNF bed	448,554	586,982
Ophthalmology	1,885	5,595
After hours clinic	1,690	1,480
Uncompensated care	1,411,900	1,499,285
Psychiatric	1,299,620	1,446,910
Rural Health Clinic	18,683	212,548
Wound Care Clinic	321,880	382,327
Other	<u>42</u>	<u>3,410</u>
	12,692,233	12,667,120
Less contractual adjustments	<u>1,234,059</u>	<u>1,511,366</u>
<u>Net patient service revenue</u>	<u>11,458,174</u>	<u>11,155,754</u>
<b>Other Operating Revenue</b>		
Ad Valorem Taxes	812,552	816,964
Grants	213,845	187,405
Other	<u>123,020</u>	<u>95,171</u>
	<u>1,149,417</u>	<u>1,099,540</u>

**St Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Consolidated Operating Expenses**  
**Years Ended October 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Supplies and Other</b>		
Food cost	\$164,852	\$168,542
Pharmacy	306,706	218,123
Medical supplies	879,906	880,160
Medical waste services	<u>292</u>	<u>          </u>
<b>Total</b>	<u><u>1,351,756</u></u>	<u><u>1,266,825</u></u>
<b>General and Administrative</b>		
Bank charges	12,112	530
Dues and subscriptions	40,321	61,495
Education	14,939	20,320
Employee benefits	112,454	152,964
Gas	49,386	65,280
Group insurance	756,470	770,505
Insurance	398,147	390,461
Lease and rental expense	191,380	279,486
Legal and professional	182,575	82,487
Maintenance contracts	8,374	11,190
Payroll taxes	436,795	436,752
Penalties and interest	21,591	8,491
Postage	5,225	6,692
Repairs and maintenance	39,399	47,092
Sewerage	2,772	2,600
Telephone	70,518	77,310
Travel	8,805	7,933
Utilities	97,740	105,230
Water	5,438	5,710
Advertising	5,209	3,688
Other	<u>102,039</u>	<u>72,887</u>
<b>Total</b>	<u><u>2,561,689</u></u>	<u><u>2,609,103</u></u>



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April 1, 2010

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
St. Helena Parish Hospital Service District No. 1 and Subsidiary  
Greensburg, Louisiana

We have audited the consolidated financial statements of St. Helena Parish Hospital Service District No. 1 and Subsidiary as of and for the year ended October 31, 2009, and have issued our report thereon dated April 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Helena Parish Hospital Service District No. 1 and Subsidiary's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

Yours truly,  
*Hawthorn, Weymouth & Carroll, L.L.P.*

**St. Helena Parish Hospital Service District No.1 and Subsidiary**  
**Summary Schedule of Audit Findings**  
**October 31, 2009**

**Findings - Financial Statement Audit**

None

**St. Helena Parish Hospital Service District No. 1 and Subsidiary**  
**Summary Schedule of Prior Year Findings**  
**October 31, 2009**

**Findings - Financial Statement Audit**

None.